

Message Text

CONFIDENTIAL

PAGE 01 ROME 08377 190322Z

60

ACTION AGR-20

INFO OCT-01 EUR-25 ADP-00 SSO-00 NSCE-00 INRE-00 EB-11

SS-15 L-03 NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01

TRSE-00 CIEP-02 OMB-01 STR-08 CEA-02 COME-00 FRB-02

RSR-01 PRS-01 /113 W

----- 124827

O R 190200Z AUG 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 304

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L ROME 8377

E.O. 11652: GDS

TAGS: IT, EAGR, ETRD

SUBJECT: ITALIAN GOVERNMENT PURCHASES OF HARD WHEAT

DEPT PASS AGRICULTURE FOR SECRETARY BUTZ

REF: A. ROME 7778 (LIMDIS); B. STATE 155360; C. ROME 8289

1. AGRICULTURE MINISTER FERRARI AGGRADI ASKED THE AMBASSADOR TO SEE HIM SATURDAY, AUGUST 18, ON URGENT MATTER. FERRARI AGGRADI SAID HE HAD JUST CONSULTED WITH PRIME MINISTER RUMOR, AND THAT HE HAD THE PRIME MINISTER'S FULL AGREEMENT IN REQUESTING ASSISTANCE FROM THE U.S. IN MEETING VERY DIFFICULT PROBLEM FACING GOVERNMENT.

2. FERRARI AGGRADI SAID THAT THE GOVERNMENT'S PRICE PROGRAM IS IN CRITICAL SITUATION AS REGARDS HARD WHEAT FOR PASTA. SOFT WHEAT SITUATION IS NOT UNSATISFACTORY. COUNTRY IS FEELING EFFECTS OF SHORTAGES OF SOYBEANS AND FEED GRAINS, BUT HARD WHEAT IS BY FAR COMMODITY WHICH IS CREATING MOST PROBLEMS AND GREATEST SENSITIVITY. FERRARI AGGRADI SAID THAT THE GOVERNMENT HAD ASKED PASTA INDUSTRY TO CONTINUE PRODUCTION IN THE HOPE OF BEING ABLE TO IMPORT HARD WHEAT AT A REASONABLE PRICE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 08377 190322Z

3. FERRARI AGGRADI POINTED OUT THAT IN RECENT DAYS GOI HAS

REACHED AGREEMENT WITH PASTA PRODUCERS THAT LATTER WILL HOLD LINE ON PRICES PROVIDED THAT GOVERNMENT CAN MAKE SUPPLIES AVAILABLE AT LIRE 11,000 PER QUINTAL. (ACCORDING TO OUR CALCULATIONS, THIS WORKS OUT TO ABOUT DOLS 3.00 A BUSHEL). ABOUT 30,000 TONS ARE NEEDED ON A CURRENT BASIS, BUT SUBSTANTIALLY SMALLER SHIPMENTS - EVEN OF A FEW THOUSAND TONS - COULD BE OF CRITICAL IMPORTANCE IN THE CURRENT PSYCHOLOGICAL ATMOSPHERE. FERRARI AGGRADI SAID THAT THE GOVERNMENT WHEAT PURCHASING ORGANIZATION WOULD BE PREPARED TO PAY A BIT MORE, SAY 12 OR 13 THOUSAND LIRA PER QUINTAL, BUT THAT VERY HIGH PRICES WILL BOTH PUT HEAVY PRESSURES ON BUDGET, WHERE GOVERNMENT IS PLEDGED TO HOLD THE LINE, AND LEAVE GOVERNMENT EXPOSED TO CHARGES OF INEFFICIENCY AND BUNGLING, PARTICULARLY IF PRICES SUBSEQUENTLY DECLINE AND ITALY IS STUCK WITH HIGH COST GRAIN.

4. FERRARI AGGRADI ADDED THAT WHILE HE RECOGNIZES THAT WHEAT TRADE IS IN PRIVATE HANDS, GOI NONETHELESS WOULD PREFER, IF AT ALL POSSIBLE, TO BUY FROM A GOVERNMENT ORGANIZATION RATHER THAN TAKE ON PROBLEMS OF DEALING WITH PRIVATE OPERATORS WHO MAY OR MAY NOT BE TAKING SPECULATIVE POSITIONS.

5. THE AMBASSADOR REPLIED THAT EMBASSY FULLY AWARE OF GOVERNMENT'S ATTEMPTS TO HOLD BACK INFLATION AND FULLY SYMPATHETIC WITH AIMS OF GOI PRICE PROGRAM. HE NOTED THAT MOST RECENT PRESS REPORTS INDICATE PRONOUNCED DOWNWARD TREND IN WHEAT AND FEED GRAINS. AMBASSADOR ALSO INDICATED HIS UNDERSTANDING THAT CCC STOCKS ARE FULLY DEPLETED AND NO LONGER AVAILABLE ON GOVERNMENT-TO-GOVERNMENT BASIS.

6. FERRARI AGGRADI STRESSED THAT FOR GOI PROBLEM IS AS MUCH PSYCHOLOGICAL AS FINANCIAL. HE BELIEVES THAT SUBSTANTIAL STOCKS MAY BE HELD BY ITALIAN DEALERS SPECULATING IN HOPES OF FURTHER INCREASES. GIVEN THIS SITUATION, FERRARI AGGRADI HAS REASON TO BELIEVE THAT THE PROMPT ARRIVAL OF EVEN RELATIVELY SMALL QUANTITIES AT A REASONABLE PRICE COULD INDUCE SPECULATORS TO PUT THEIR SUPPLIES ON THE MARKET, WITH CONSEQUENT DOWNWARD PRICE PRESSURES.

7. IN CONCLUSION, THE AMBASSADOR TOLD FERRARI AGGRADI THAT HE WOULD MAKE EVERY EFFORT TO ASSIST, GIVEN ITALY'S ROLE AS A TRADITIONAL PURCHASER AND OUR RECOGNITION OF THE IMPORTANCE OF

CONFIDENTIAL

PAGE 03 ROME 08377 190322Z

THE GOVERNMENT'S ANTI-INFLATION PROGRAM. THE AMBASSADOR TOLD FERRARI AGGRADI THAT HE WOULD BE DEPARTING ON LONG-PLANNED LOCAL LEAVE LATER THAT DAY, BUT WOULD UNDERTAKE TO EMPLOY HIS BEST EFFORTS AND WOULD FOLLOW THE PROBLEM DURING HIS VACATION.

8. COMMENT: THERE CAN BE NO DOUBT THAT RUMOR GOVERNMENT IS FINDING ITSELF IN A PARTICULARLY DIFFICULT SITUATION AS IT TRIES TO HOLD THE LINE ON STAPLE FOOD PRICES AT A TIME WHEN WORLD

AVAILABILITIES ARE SHORT, PRICES ARE HIGH. POLITICAL AND ECONOMIC REALITIES IN ITALY ARE SUCH AS TO EXPLAIN THIS HIGH-LEVEL APPROACH, WHICH SHOULD BE INTERPRETED AS COMING FROM THE PRIME MINISTER HIMSELF. SEE EMBTEL 8289. EMBASSY LACKS SUFFICIENT KNOWLEDGE OF WORLD MARKET CONDITIONS AND TRADING TECHNIQUES TO BE ABLE TO SUGGEST HOW BEST USG COULD BE RESPONSIVE TO THIS URGENT REQUEST FOR ASSISTANCE. PROBLEM COULD BE SHORT TERM IF PRICES DECLINE ENOUGH. AMBASSADOR WILL BE DINING WITH THE PRIME MINISTER AT THE END OF THIS MONTH, AND IT IS QUITE CLEAR THAT THIS WILL BE FIRST SUBJECT TO BE DISCUSSED.

MEANWHILE, EMBASSY URGENTLY REQUIRES WASHINGTON REACTION TOGETHER WITH SUGGESTIONS AND GUIDANCE AS TO HOW BEST WE CAN RESPOND TO THE RUMOR-FERRARI AGGRADI REQUEST. WE WOULD HOPE TO BE ABLE TO HAVE AT LEAST PRELIMINARY GUIDANCE FOR FERRARI AGGRADI ON AUGUST 21, THE DAY HE TOLD THE AMBASSADOR HE WILL BE BACK IN HIS OFFICE. AMBASSADOR PARTICULARLY HOPES THAT SECRETARY BUTZ WILL DO EVERYTHING POSSIBLE TO FIND A SATISFACTORY SOLUTION FOR THIS ISSUE. VOLPE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 19 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME08377
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS VOLPE
Errors: N/A
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730829/aaaaauwd.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ACTION AGR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. ROME 7778 (LIMDIS); B. STATE 1553, 60; C. ROME 8289
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 14 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Sep-2001 by rowellE0>; APPROVED <19-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN GOVERNMENT PURCHASES OF HARD WHEAT DEPT PASS AGRICULTURE FOR SECRETARY BUTZ
TAGS: EAGR, ETRD, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005